

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-12 IO-14 ISO-00 GSA-02 COME-00  
TRSE-00 CIAE-00 INR-10 NSAE-00 INT-05 STR-07  
OMB-01 L-03 /075 W  
-----094542 161014Z /21 ,

R 160445Z JUN 78

FM AMEMBASSY BANGKOK  
TO SECSTATE WASHDC 6353  
INFO AMEMBASSY JAKARTA  
AMEMBASSY KUALA LUMPUR  
AMEMBASSY LONDON  
AMEMBASSY SINGAPORE  
USMISSION GENEVA

UNCLAS SECTION 1 OF 2 BANGKOK 17267

E.O. 11652: N/A

TAGS: EMIN, ECON

SUBJ: TIN - RTG AIDE MEMOIRE ON US TIN DISPOSAL POLICY

REF: BANGKOK 15197

1. AT REQUEST OF RTG MFA, EMBOFF ACCOMPANIED BY WALTER C. LENAHAN, US REPRESENTATIVE TO FIFTH MEETING OF ECONOMIC AND PRICE REVIEW PANEL OF INTERNATIONAL TIN COUNCIL, (WHO ATTENDED AT EMBASSY'S REQUEST), CALLED ON SUKRI GAJASINI, DEPUTY DIRECTOR GENERAL, MFA ECONOMICS DEPARTMENT, TO DISCUSS US TIN DISPOSAL POLICY. AT OUTSET OF MEETING SUKRI PRESENTED AIDE-MEMOIRE AS FOLLOWS:

QUOTE REFERENCE IS MADE TO THE PROPOSED US LEGISLATION TO AUTHORIZE THE GENERAL SERVICE ADMINISTRATION'S DISPOSAL OF 50,000 TONS OF TIN FROM THE US STRATEGIC STOCKPILE.

QUOTE WHILE RECOGNIZING THE SOVEREIGN RIGHT OF EVERY STATE TO LEGISLATE AS IT DEEMS APPROPRIATE OR TO DETERMINE ITS  
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STRATEGIC OBJECTIVES, THE GOVERNMENT OF THAILAND, IN PRESENTING THIS AIDE-MEMOIRE, WISHES TO DRAW THE ATTENTION OF THE US TO THE PROBABLE WORLDWIDE IMPLICATIONS OF SUCH LEGISLATION. IT IS HOPED THAT THE INFORMATION AND PROPOSALS CONTAINED HEREIN COULD CONTRIBUTE TOWARDS A DECISION AND MODE OF ACTION THAT WOULD NOT CAUSE DISRUPTION TO THE WORLD TIN MARKET WHILE AT THE SAME TIME SERVE

THE VARIED INTERESTS OF PRODUCERS AND CONSUMERS.

QUOTE THAILAND IS THE FOURTH LARGEST EXPORTER OF TIN, WITH EXPORT VOLUME TALLING OVER 24,000 TONS IN 1977 REPRESENTING OVER 13 PERCENT OF TOTAL WORLD TIN PRODUCTION FOR THAT YEAR. THIS PRESENTLY THRIVING INDUSTRY, BEING AN IMPORTANT SOURCE OF FOREIGN EXCHANGE EARNING, IS ALSO PROVIDING EMPLOYMENT FOR MANY SKILLED AND UNSKILLED WORKERS IN THE RURAL AREAS AND SERVES TO ATTRACT SIZEABLE FLOWS OF INVESTMENT FUNDS AND TECHNOLOGY FROM ABROAD. THE IMPORTANCE OF THE TIN INDUSTRY TO THAILAND'S EXPORT PERFORMANCE CAN BE SEEN BY THE FACT THAT OVER 3/4 OF ALL TIN PRODUCED ARE EXPORTED, BRINGING IN NEARLY BAHT 4,900 MILLION IN 1977 OR APPROXIMATELY 8 PERCENT OF THE TOTAL EXPORT REVENUE. THEREFORE A STABLE AND FAIR WORLD PRICE OF TIN AT PRESENT AND IN THE FUTURE IS VITAL TO THE LOCAL TIN INDUSTRY'S INCREASED INVESTMENT AND CAPACITY EXPANSION AT A RATE THAT WOULD ENSURE MAXIMUM BENEFIT FROM THE EXPLOITATION OF THIS EXHAUSTIBLE RESOURCE. THIS IN TURN WOULD ASSIST THE OVERALL DEVELOPMENT OF THAILAND AND THE IMPROVEMENT OF LIVING STANDARDS OF THE THAI PEOPLE.

QUOTE IN VIEW OF THE IMPORTANCE OF THE INDUSTRY TO THE ECONOMY OF THAILAND, THE GOVERNMENT OF THAILAND WISHES TO EXPRESS ITS DEEPEST CONCERN OVER THE US PROPOSED LEGISLATION WHICH INVOLVES A QUANTITY OF TIN EQUIVALENT TO OVER 25 PERCENT OF TOTAL WORLD CONSUMPTION IN 1977. SUCH US TIN DISPOSAL WOULD UNCLASSIFIED

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RESULT IN A LARGE DROP IN PRICE WHICH WOULD DO SERIOUS IF NOT PERMENENT DAMAGE TO THE THAI TIN INDUSTRY BECAUSE IT IS GEARED TO AND LARGELY DEPENDENT UPON OVERSEAS MARKETS. WHILE THE IMMEDIATE EFFECT OF A PRICE DECREASE WOULD BE A REDUCTION IN TIN EXPORT REVENUE, WORSENING THAILAND'S BALANCE OF TRADE DEFICIT, MORE ADVERSE EFFECTS FOLLOW IN THE LONG RUN THROUGH UNDER-OPTIMUM RATE OF INVESTMENT AND CAPACITY EXPANSION FOR FEAR OF SIMILAR FLUCTUATION IN PRICES ARISING FROM US ARBITRARY DISPOSAL OF TIN IN LARGE QUANTITIES. THIS FEAR, WHEN SHARED BY ALL PRODUCERS, WOULD PREVENT THE ATTAINING OF AN OPTIMUM RATE OF PRODUCTION EXPANSION WHICH MAY MEAN AN UNNECESSARILY HIGH TIN PRICE IN THE LONG RUN. IT IS THEREFORE IN THE INTEREST AND THE RESPONSIBILITY OF BOTH PRODUCERS AND CONSUMERS TO WORK TOGETHER TO MINIMIZE INSTABILITY AND DISRUPTION OF THE TIN MARKET.

QUOTE IN THIS CONNECTION, THE US, AS THE BIGGEST AND WELL INDUSTRIALIZED TIN CONSUMER AND HAVING PARTICIPATED IN THE ACTIVITIES OF THE INTERNATIONAL TIN COUNCIL IN THE PAST AS WELL AS BECOMING A MEMBER OF THE FIFTH INTERNATIONAL TIN

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USMISSION GENEVA

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AGREEMENT SINCE 1976, SHOULD DO EVERYTHING IT CAN TO  
ENSURE THAT DISPOSALS FROM HER STOCKPILES SHALL NOT UN-  
NECESSARILY CAUSE DISRUPTION IN THE TIN MARKET OR CREATE  
UNDUE HARDSHIP IN TERMS OF PRODUCTION AND EMPLOYMENT AND  
ADVERSELY AFFECTING EXPLORATION, INVESTMENT AND LONG-  
TERM GROWTH PROSPECT OF TIN INDUSTRIES INPRODUCING  
COUNTRIES.

QUOTE THAILAND, THEREFORE, LOOKS FORWARD TO US RECONSIDERATION  
OF THE JUSTIFICATION FOR THE PROPOSED BILL. HOWEVER, IF THE  
US GOVERNMENT STILL INSISTS IN PUTTING THE BILL FORWARD FOR  
CONGRESS APPROVAL, THUS REAFFIRMING THE INTENTION TO DISPOSE  
OF 50,000 TONS OF TIN, THE THAI GOVERNMENT EARNESTLY HOPES  
THAT US GOVERNMENT WILL HOLD CONSULTATION WITH THE INTERNATIONAL  
TIN COUNCIL TO SORT OUT THE ACTUALITIES OF APPROVED DISPOSALS  
PARTICULARLY IN RESPECT OF PRICE, QUANTITY METHOD AND TIMING  
OF COMMERCIAL SALES, SO AS TO ENSURE THE MINIMIZATION OF  
ADVERSE EFFECTS AND CONSISTENCY WITH THE PROVISIONS OF THE  
INTERNATIONAL TIN AGREEMENT. MINISTRY OF FOREIGN AFFARIS,  
SARANROM PALACE, JUNE B.E. 2521 UNQUOTE.  
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2. IN RESPONSE TO RTG AIDE-MEMOIRE, MR. LENAHAAN NOTED THAT LEGISLATION AUTHORIZING GSA TIN DISPOSAL WAS STILL PENDING IN CONGRESS AND UNTIL FINAL VERSION OF BILL PASSED AND SIGNED BY PRESIDENT, US TIN DISPOSAL POLICY NOT YET DETERMINED. IN ANY CASE BILLS CURRENTLY UNDER CONSIDERATION PROVIDE FOR DISPOSAL OF ONLY 35,000 TONS, NOT 50,000 TONS AS MENTIONED IN RTG AIDE-MEMOIRE. FIVE THOUSAND OF THE 35,000 TONS WOULD BE EARMARKED FOR ITC BUFFER STOCK. THE REMAINING 30,000 TONS WOULD BE SUBJECT TO STANDARD US DISPOSAL PRACTICES.

3. UNDER BOTH CURRENT AND PROPOSED TIN DISPOSAL LEGISLATION, THE UNITED STATES IS COMMITTED TO "AVOIDING UNDUE DISRUPTION OF NORMAL TIN MARKETS." THE UNITED STATES, UNDER ARTICLE 43 OF THE TIN AGREEMENT, IS ALSO COMMITTED TO CONSULTATIONS WITH THE INTERNATIONAL TIN COUNCIL AND IN THIS REGARD COOPERATED AT 9TH SESSION OF ITC IN ESTABLISHING WORKING PARTY OF DISPOSALS, WHICH WILL MAKE RECOMMENDATIONS TO THE ITC ON TIN SALES. THAILAND AS 1978-79 CHAIRMAN OF PRODUCERS CAUCUS AND VICE CHAIRMAN OF THE COUNCIL IS EX OFFICIO MEMBER OF WORKING PARTY. IN ADDITION TO MULTILATERAL CONSULTATIONS, US WOULD ALSO BE PREPARED TO CONSULT WITH MAJOR TIN PRODUCING COUNTRIES INCLUDING THAILAND ON BILATERAL BASIS.

4. ON JUSTIFICATION FOR GSA TIN SALES, LENAHAAN NOTED THAT CURRENT WORLD MARKET PRICE OF TIN ALREADY WELL ABOVE ITC CEILING PRICE. US SALES WOULD BE AIMED AT FILLING ANTICIPATED DEFICIT IN WORLD MARKET BETWEEN PROJECTED CONSUMPTION AND PRODUCTION AND PERMITTING INCREASE IN COMMERCIAL STOCKS WHICH ARE CURRENTLY 10,000 TONS BELOW HISTORICAL AVERAGE.  
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## Message Attributes

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**Disposition Comment:**  
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**Type:** TE  
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